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February 4, 2003

Via Electronic Submission

Chairman Michael Powell
Federal Communications Commission
445 12th Street, SW, 8th Floor
Washington, D.C. 20554

Re: Ex Parte Presentation
UNE Triennial Review Proceeding – CC Docket No. 01-338
Local Competition Proceeding – CC Docket No. 96-98
Deployment of Advanced Wireline Services – CC Docket No. 98-147

Dear Chairman Powell:

On January 14 and 28, 2003, SBC submitted economic analyses demonstrating that CLECs can profitably serve customers using their own switches in conjunction with UNE loop ("UNE-L") serving arrangements. In further support of that conclusion, SBC has performed an additional iteration of its analysis to show that CLECs can profitably serve customers even if the range of price points is lower than the range SBC assumed in its original calculations.

Specifically, using SBC's cost model, and for the lowest CLEC market penetration scenario (*i.e.*, 5%, or 250 lines per central office), SBC assumed a roughly equal distribution of customers at retail price points ranging from $35 per month to $60 per month (total revenue, including EUCL, access, and subsidies thus ranged from $43 to $68) in each of the three states in SBC's original analysis (California, Michigan, and Texas). The attached results demonstrate that even under those assumptions, CLECs can anticipate positive profit opportunities using their own switches to serve residential customers.

Moreover, the analysis confirms that CLECs are better off serving customers at the lower end of the retail price range than not serving them. SBC performed the same calculations using 200 lines equally distributed among a price range of $40.00 to $60.00. The comparative results demonstrate that CLECs would obtain a higher average per line margin by serving 250 customers with a price range of $35 to $60 than 200 customers with a price range of $40 to $60.

This analysis, in conjunction with the economic analyses submitted by SBC on January 14th and 28th proves once and for all that facilities based CLECs can profitably serve residential customers and are not impaired without access to unbundled switching.

Respectfully Submitted,

James C. Smith
Senior Vice President

Attachments

cc: Scott Bergmann, Matthew Brill, Michelle Carey, Jeffrey Carlisle, Barbara Cherry, Jordan Goldstein, Daniel Gonzalez, Linda Kinney, Christopher Libertelli, William Maher, Jeremy Miller, Steven F. Morris, Thomas Navin, Brent Olson, Tamara Preiss, John Rogovin, William W. Sharkey, Don Stockdale, Robert Tanner, Julie Veach, Simon Wilkie, Lisa Zaina

TX Summary by CLEC Line Size

6 Price Tiers - 250 Lines
5 Price Tiers - 200 Lines

All $ Amounts are Per Line/Per Month									
	UNE Loop Zone Weightings	Transport Type	Transport Recurring + Non Recurring	UNE Loop Recurring + Non Recurring	Total Collo	Amortize CLEC GR303	Total CLEC Switch Amortized Investment + Operating Expense		Total CLEC Facility Expense
200 Lines	0% URBAN, 44% SUBURBAN, 56% RURAL.	UDT	$ 6.39	$ 20.70	$3.31	$4.90	$4.05		$ 39.35
250 Lines	0% URBAN, 44% SUBURBAN, 56% RURAL.	UDT	$ 5.11	$ 20.70	$2.75	$4.05	$4.05		$ 36.65

CLEC Margin Analysis 250 Lines

# of Lines	Total Revenue*		Total CLEC Facility Expense	LD Costs + SG&A@20%		CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
41	$ 43.00		$ 36.65	$ 13.60		$ (7.25)	-16.9%
41	$ 48.00		$ 36.65	$ 14.60		$ (3.25)	-6.8%
42	$ 53.00		$ 36.65	$ 15.60		$ 0.75	1.4%
42	$ 58.00		$ 36.65	$ 16.60		$ 4.75	8.2%
42	$ 63.00		$ 36.65	$ 17.60		$ 8.75	13.9%
42	$ 68.00		$ 36.65	$ 18.60		$ 12.75	18.8%
Total for 250 Lines	$ 13,895		$ 9,162	$ 4,029		$ 704	5.1%
Average per Line	$ 55.58		$ 36.65	$ 16.12		$ 2.82	5.1%

CLEC Margin Analysis 200 Lines

# of Lines	Total Revenue*		Total CLEC Facility Expense	LD Costs + SG&A@20%		CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
40	$ 48.00		$ 39.35	$ 14.60		$ (5.95)	-12.4%
40	$ 53.00		$ 39.35	$ 15.60		$ (1.95)	-3.7%
40	$ 58.00		$ 39.35	$ 16.60		$ 2.05	3.5%
40	$ 63.00		$ 39.35	$ 17.60		$ 6.05	9.6%
40	$ 68.00		$ 39.35	$ 18.60		$ 10.05	14.8%
Total for 200 Lines	$ 11,600		$ 7,870	$ 3,320		$ 410	3.5%
Average per Line	$ 58.00		$ 39.35	$ 16.60		$ 2.05	3.5%

Net Change from 250 Lines to 200 Lines

Per Month							
# of Lines	Total Revenue*		Total CLEC Facility Expense	LD Costs + SG&A@20%		CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
-50	$ (2,295.00)		$ (1,292.34)	$ (709.00)		$ (293.66)	-1.5%
Average per Line	$ 2.42		$ 2.70	$ 0.48		$ (0.76)	-1.5%

*Total Revenue includes $8.00 per line (Access, SLC, etc.)

CA Summary by CLEC Line Size

6 Price Tiers - 250 Lines
5 Price Tiers - 200 Lines

All $ Amounts are Per Line/Per Month

	UNE Loop Zone Weightings	Transport Type	Transport Recurring + Non Recurring	UNE Loop Recurring + Non Recurring	Total Collo	Amortize CLEC GR303	Total CLEC Switch Amortized Investment + Operating Expense		Total CLEC Facility Expense
200 Lines	0% URBAN, 44% SUBURBAN, 56% RURAL.	UDT	$ 6.86	$ 19.73	$3.04	$4.63	$4.32		$ 38.58
250 Lines	0% URBAN, 44% SUBURBAN, 56% RURAL.	UDT	$ 5.49	$ 19.73	$2.43	$3.73	$4.32		$ 35.71

CLEC Margin Analysis 250 Lines

# of Lines	Total Revenue*	Total CLEC Facility Expense	LD Costs + SG&A@20%	CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
41	$ 43.00	$ 35.71	$ 13.60	$ (6.31)	-14.7%
41	$ 48.00	$ 35.71	$ 14.60	$ (2.31)	-4.8%
42	$ 53.00	$ 35.71	$ 15.60	$ 1.69	3.2%
42	$ 58.00	$ 35.71	$ 16.60	$ 5.69	9.8%
42	$ 63.00	$ 35.71	$ 17.60	$ 9.69	15.4%
42	$ 68.00	$ 35.71	$ 18.60	$ 13.69	20.1%
Total for 250 Lines	$ 13,895	$ 8,927	$ 4,029	$ 939	6.8%
Average per Line	$ 55.58	$ 35.71	$ 16.12	$ 3.76	6.8%

CLEC Margin Analysis 200 Lines

# of Lines	Total Revenue*	Total CLEC Facility Expense	LD Costs + SG&A@20%	CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
40	$ 48.00	$ 38.58	$ 14.60	$ (5.18)	-10.8%
40	$ 53.00	$ 38.58	$ 15.60	$ (1.18)	-2.2%
40	$ 58.00	$ 38.58	$ 16.60	$ 2.82	4.9%
40	$ 63.00	$ 38.58	$ 17.60	$ 6.82	10.8%
40	$ 68.00	$ 38.58	$ 18.60	$ 10.82	15.9%
Total for 200 Lines	$ 11,600	$ 7,717	$ 3,320	$ 563	4.9%
Average per Line	$ 58.00	$ 38.58	$ 16.60	$ 2.82	4.9%

Net Change from 250 Lines to 200 Lines

# of Lines	Total Revenue*	Total CLEC Facility Expense	LD Costs + SG&A@20%	CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
-50	$ (2,295.00)	$ (1,209.95)	$ (709.00)	$ (376.05)	-1.9%
Average per Line	$ 2.42	$ 2.88	$ 0.48	$ (0.94)	-1.9%

*Total Revenue includes $8.00 per line (Access, SLC, etc.)

MI Summary by CLEC Line Size

6 Price Tiers - 250 Lines
5 Price Tiers - 200 Lines

All $ Amounts are Per Line/Per Month									
	UNE Loop Zone Weightings	Transport Type	Transport Recurring + Non Recurring	UNE Loop Recurring + Non Recurring	Total Collo	Amortize CLEC GR303	Total CLEC Switch Amortized Investment + Operating Expense		Total CLEC Facility Expense
200 Lines	0% URBAN, 44% SUBURBAN, 56% RURAL.	UDT	$ 3.61	$ 14.15	$6.30	$7.89	$3.86		$ 35.81
250 Lines	0% URBAN, 44% SUBURBAN, 56% RURAL.	UDT	$ 2.89	$ 14.15	$5.11	$6.41	$3.86		$ 32.43

CLEC Margin Analysis 250 Lines

# of Lines	Total Revenue*		Total CLEC Facility Expense	LD Costs + SG&A@20%		CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
41	$ 43.00		$ 32.43	$ 13.60		$ (3.03)	-7.0%
41	$ 48.00		$ 32.43	$ 14.60		$ 0.97	2.0%
42	$ 53.00		$ 32.43	$ 15.60		$ 4.97	9.4%
42	$ 58.00		$ 32.43	$ 16.60		$ 8.97	15.5%
42	$ 63.00		$ 32.43	$ 17.60		$ 12.97	20.6%
42	$ 68.00		$ 32.43	$ 18.60		$ 16.97	25.0%
Total for 250 Lines	$ 13,895		$ 8,107	$ 4,029		$ 1,759	12.7%
Average per Line	$ 55.58		$ 32.43	$ 16.12		$ 7.04	12.7%

CLEC Margin Analysis 200 Lines

# of Lines	Total Revenue*		Total CLEC Facility Expense	LD Costs + SG&A@20%		CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
40	$ 48.00		$ 35.81	$ 14.60		$ (2.41)	-5.0%
40	$ 53.00		$ 35.81	$ 15.60		$ 1.59	3.0%
40	$ 58.00		$ 35.81	$ 16.60		$ 5.59	9.6%
40	$ 63.00		$ 35.81	$ 17.60		$ 9.59	15.2%
40	$ 68.00		$ 35.81	$ 18.60		$ 13.59	20.0%
Total for 200 Lines	$ 11,600		$ 7,162	$ 3,320		$ 1,118	9.6%
Average per Line	$ 58.00		$ 35.81	$ 16.60		$ 5.59	9.6%

Net Change from 250 Lines to 200 Lines

# of Lines	Total Revenue*		Total CLEC Facility Expense	LD Costs + SG&A@20%		CLEC EBITDA Margin per Line	CLEC EBITDA Margin %
-50	$ (2,295.00)		$ (945.59)	$ (709.00)		$ (640.41)	-3.0%
Average per Line	$ 2.42		$ 3.38	$ 0.48		$ (1.44)	-3.0%

*Total Revenue inlcudes $8.00 per line (Access, SLC, etc.)